華潤創業有限公司
China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 291)

FINANCIAL AND OPERATIONAL REVIEW THIRD QUARTER 2010

This announcement is made by China Resources Enterprise, Limited ("the Company") on a voluntary basis in pursuit of a higher standard of corporate governance and in promoting the Company's transparency. The Company currently intends to continue to publish the quarterly financial and operational review in the future.

The financial and operational review for the third quarter 2010 was not audited and was prepared in accordance with accounting principles generally accepted in Hong Kong.

The directors of the Company are pleased to present the following unaudited financial and operational information for the third quarter and the nine months ended 30 September 2010.

FINANCIAL HIGHLIGHTS

	Three months ended 30 September		**Nine months ended 30 September**	
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK\$ million	*HK\$ million*	***HK\$ million***	*HK\$ million*
Turnover				
− continuing operations	**24,447**	17,860	**66,017**	49,433
− discontinued operation[1]	**-**	1,904	**410**	5,378
	24,447	19,764	**66,427**	54,811
Profit attributable to shareholders of the Company				
− continuing operations	**1,058**	1,023	**2,300**	2,191
− discontinued operation[1]	**-**	20	**3,001**	10
	1,058	1,043	**5,301**	2,201
Basic earnings per share[2]				
− continuing operations			**HK\$ 0.96**	HK\$0.91
− discontinued operation[1]			**HK\$ 1.25**	HK\$0.01
			HK\$ 2.21	HK\$0.92

	At 30 September 2010	At 31 December 2009
	(Unaudited)	(Audited)
	HK\$ million	*HK\$ million*
Equity attributable to shareholders of the Company	**30,162**	25,847
Non-controlling interests	**10,422**	9,597
Total equity	**40,584**	35,444
Consolidated net borrowings	**-**	3,340
Gearing ratio[3]	**Net Cash**	9.4%
Net assets per share (book value):	**HK\$ 12.58**	HK\$10.79

Notes:

1. Pursuant to the group reorganisation in 2009, textile and brand-fashion distribution businesses are presented as discontinued operation according to the Hong Kong Financial Reporting Standard 5. The Group disposed of its brand-fashion distribution business interest in February 2010 with a net gain of approximately HK\$3 billion.
2. Diluted earnings per share for the nine months ended 30 September 2010 and 2009 are HK\$2.21 and HK\$0.92 respectively. Diluted earnings per share of the discontinued operations for the nine months ended 30 September 2010 and 2009 are HK\$1.25 and HK\$0.01 respectively.
3. Gearing ratio represents the ratio of consolidated net borrowings to total equity.

ANALYSIS OF TURNOVER AND PROFIT

	Three months ended 30 September			Nine months ended 30 September		
	2010	2009	Increased/	**2010**	2009	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Turnover by segment						
Core Businesses						
- Retail	**13,916**	8,918	**56.0%**	**40,808**	26,890	**51.8%**
- Beer	**7,773**	6,476	**20.0%**	**17,816**	15,950	**11.7%**
- Food	**2,121**	1,957	**8.4%**	**5,997**	5,462	**9.8%**
- Beverage	**754**	573	**31.6%**	**1,650**	1,315	**25.5%**
Subtotal	**24,564**	17,924	**37.0%**	**66,271**	49,617	**33.6%**
Other Businesses						
- Investments and Others	**–**	–	**–**	**–**	–	**–**
	24,564	17,924	**37.0%**	**66,271**	49,617	**33.6%**
Elimination of inter-segment transactions	**(117)**	(64)	**82.8%**	**(254)**	(184)	**38.0%**
Total from continuing operations	**24,447**	17,860	**36.9%**	**66,017**	49,433	**33.5%**
Discontinued operations						
- Brand-fashion Distribution	**–**	606	**(100.0%)**	**410**	1,869	**(78.1%)**
- Textile	**–**	1,298	**(100.0%)**	**–**	3,509	**(100.0%)**
Total from discontinued operations	**–**	1,904	**(100.0%)**	**410**	5,378	**(92.4%)**
Total	**24,447**	19,764	**23.7%**	**66,427**	54,811	**21.2%**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2010	2009	Increased/	**2010**	2009	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
Profit attributable to shareholders ("PAS") by segment						
Core Businesses						
- Retail	**383**	414	**(7.5%)**	**1,338**	954	**40.3%**
- Beer	**526**	404	**30.2%**	**784**	661	**18.6%**
- Food	**87**	88	**(1.1%)**	**327**	299	**9.4%**
- Beverage	**84**	58	**44.8%**	**137**	142	**(3.5%)**
Subtotal	**1,080**	964	**12.0%**	**2,586**	2,056	**25.8%**
Other Businesses						
- Investments and Others	**–**	88	**(100.0%)**	**(214)**	239	**(189.5%)**
	1,080	1,052	**2.7%**	**2,372**	2,295	**3.4%**
Net corporate interest and expenses	**(22)**	(29)	**(24.1%)**	**(72)**	(104)	**(30.8%)**
Total from continuing operations	**1,058**	1,023	**3.4%**	**2,300**	2,191	**5.0%**
Discontinued operations						
- Brand-fashion Distribution	**–**	38	**(100.0%)**	**3,001**	95	**3058.9%**
- Textile	**–**	(18)	**(100.0%)**	**–**	(85)	**(100.0%)**
Total from discontinued operations	**–**	20	**(100.0%)**	**3,001**	10	**29910.0%**
Total	**1,058**	1,043	**1.4%**	**5,301**	2,201	**140.8%**

ANALYSIS OF TURNOVER AND PROFIT (CONTINUED)

	Three months ended 30 September			Nine months ended 30 September		
	2010	2009	Increased/	**2010**	2009	Increased/
	(Unaudited)	(Unaudited)	(Decreased)	**(Unaudited)**	(Unaudited)	(Decreased)
	HK$ million	*HK$ million*	%	***HK$ million***	*HK$ million*	%
PAS excluding the effect of asset revaluation and major disposal of non-core assets/investments by segment						
Core Businesses						
- Retail[a]	**168**	100	**68.0%**	**714**	515	**38.6%**
- Beer	**526**	404	**30.2%**	**784**	661	**18.6%**
- Food [b]	**51**	39	**30.8%**	**265**	184	**44.0%**
- Beverage	**84**	58	**44.8%**	**137**	142	**(3.5%)**
Subtotal	**829**	601	**37.9%**	**1,900**	1,502	**26.5%**
Other Businesses						
- Investments and Others[c]	**-**	88	**(100.0%)**	**-**	239	**(100.0%)**
	829	689	**20.3%**	**1,900**	1,741	**9.1%**
Net corporate interest and expenses	**(22)**	(29)	**(24.1%)**	**(72)**	(104)	**(30.8%)**
Total from continuing operations	**807**	660	**22.3%**	**1,828**	1,637	**11.7%**
Discontinued operations						
- Brand-fashion Distribution[d]	**–**	38	**(100.0%)**	**22**	95	**(76.8%)**
- Textile[e]	**–**	(20)	**(100.0%)**	**–**	(88)	**(100.0%)**
Total from discontinued operations	**–**	18	**(100.0%)**	**22**	7	**214.3%**
Total	**807**	678	**19.0%**	**1,850**	1,644	**12.5%**

Notes:

For the nine months ended 30 September 2010,

a. Net valuation surplus on investment properties of approximately HK$624 million (2009: HK$439 million) has been excluded from the results of Retail division.

b. Net gain on disposal of non-core investments and valuation surplus on investment properties with an aggregate amount of approximately HK$62 million (2009: HK$115 million) have been excluded from the results of the Food division.

c. Valuation deficit on financial assets at fair value through profit or loss of approximately HK$214 million has been excluded from the results of Investment and Others division.

d. The Group disposed of its brand-fashion distribution business interest in February 2010 with a net gain of approximately HK$3 billion.

e. Net valuation surplus of approximately HK$3 million arising mainly from industrial building held by the Textile division has been excluded from its 2009 results.

PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the quarterly financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009 except for the adoption of certain revised standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2010.

The adoption of HKAS 27 (Revised) has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in Hong Kong Financial Reporting Standards, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under HKAS 27 (Revised), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost, with the gain or loss arising recognised in consolidated profit and loss account.

The adoption of other revised standards, amendments and interpretations has had no material effect on the results or financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

The Group has not early applied the new or revised standards, amendments and interpretations that have been issued by the HKICPA but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the Group's results of operations and financial positions.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Following its asset swap with the parent company, China Resources (Holdings) Company Limited and the successful sale of its entire interest in a brand-fashion distribution business in the Chinese Mainland, the Group focuses on its core consumer goods businesses. The Group's unaudited consolidated profit attributable to the Company's shareholders for the third quarter of 2010 increased by 1.4% year-on-year to approximately HK$1,058 million, and that for the first nine months of 2010 increased by 140.8% year-on-year to approximately HK$5,301 million, including a net gain of approximately HK$3 billion from the disposal of the brand-fashion distribution business.

The core businesses of the Group include retail, beer, food and beverage. These businesses form one of the largest consumer goods networks in the Chinese Mainland, which has tremendous potential. The Group's unaudited turnover from the core businesses for the third quarter and the first nine months of 2010 amounted to approximately HK$24,447 million and HK$66,017 million respectively, representing corresponding increases of 36.9% and 33.5% year-on-year. The unaudited profit attributable to the Company's shareholders from the core businesses for the third quarter and the first nine months of 2010 amounted to approximately HK$1,080 million and HK$2,586 million respectively, representing corresponding increases of 12.0% and 25.8% year-on-year. Excluding the after-tax profit of asset revaluation and major disposals, the Group's underlying unaudited profit attributable to the Company's shareholders from the core businesses would have increased by 37.9% and 26.5% year-on-year for the third quarter and the first nine months of 2010 respectively.

Retail

The Group's retail division recorded a turnover of HK$13,916 million for the third quarter of 2010, representing an increase of 56.0% over the corresponding period last year. Turnover for the first nine months rose by 51.8% year-on-year to HK$40,808 million. Attributable profit for the third quarter decreased by 7.5% to HK$383 million, and that for the nine-month period grew by 40.3% year-on-year to HK$ 1,338 million. Excluding an after-tax revaluation surplus, attributable profit of the division would have increased by 68.0% for the third quarter and 38.6% for the first nine months of 2010 year-on year.

The Group's retail division mainly consists of supermarkets, "中藝 Chinese Arts & Crafts" and "華潤堂 CR Care". As at the end of September 2010, the Group operated over 3,000 stores in China, of which approximately 68% were self-operated stores while the rest were franchised. They are principally divided into different store formats including hypermarkets, supermarkets, convenience stores and specialty stores. They mainly operate under brands such as "華潤萬家 Vanguard", "華潤蘇果 China Resources Suguo", "蘇果 Suguo", "Vango", "Olé", "Voi_la!", "中藝 Chinese Arts & Crafts" and "華潤堂 CR Care". In October, the Group launched two "VivoPlus" health and personal care stores in Hong Kong, offering health- and beauty-conscious customers a wide range of cosmetics, skin care, health and personal care products. The move not only helped us explore the market but also strengthened the synergies and brand image of our supermarket and convenience store operations.

During the period under review, the central government implemented various stimulus policies to drive domestic consumption as the world economy continued to recover. In the Chinese Mainland, there were improvements in both the macro-economy and consumer spending, which helped drive a rebound in the retail industry. Policies aimed at stimulating sales of household appliances, vehicles, energy-efficient products were a strong driver of consumer spending. Mild inflation will continue to benefit the retail industry.

The acquisition of a hypermarket chain from the parent company has increased the scale of the Group's supermarket operation and enhanced its geographical coverage in Northern and Central China. This has led to a remarkable increase in turnover for the operation. Driven by an improving economy and rising food prices in the Chinese Mainland, same store sales of our retail division increased by 9.3% year-on-year for the period under review.

During the period under review, the Group launched a nationwide promotion of its fresh food model counters within existing stores in a bid to enhance the quality of our fresh food operation, and to improve operational capabilities and the skill sets of employees. The initiative led to solid improvements in sales of fresh food counters. The Group also sought to raise its gross margins in various aspects to improve profitability while achieving sales targets. Earnings before interest, tax, depreciation and amortization of the division for the first nine months of 2010 were HK$2,760 million, representing a year-on-year increase of 36.3%. The higher operating profit was mainly driven by the contribution from a hypermarket chain acquired from the parent company, satisfactory growth in same store sales and a higher gross margin.

Looking forward, the Group will continue to pursue a national strategy with emphasis on regional leadership and synergy on a multi-format business platform. We aim to speed up the development of mature formats so as to consolidate its leadership in major regional cities. The Group will also build up a product supply chain that includes both regional and local sourcing power. To broaden the range of merchandise offered to customers, the Group will advance the establishment of a category management centre. We will also try to cooperate with suppliers to launch a supply chain management program. Pushing ahead synergy creation between "華潤萬家 Vanguard", "華潤堂 CR Care" and "中藝 Chinese Arts & Crafts", we strive to further enhance the influence of the brands.

On 29 June 2010, the Group entered into a sale and purchase agreement in relation to the acquisition of an 80% interest in Pacific Coffee (Holdings) Limited ("Pacific Coffee") for a cash consideration of HK$330 million. "Pacific Coffee" is a leading coffeehouse chain in Hong Kong and has established a strong brand in the local market. The coffeehouse chain's future expansion in the Chinese Mainland is solidly supported by the Group's extensive retail network, sourcing and logistical capabilities, and managerial strength in the retail industry.

Beer

The Group's beer division recorded a turnover of HK$7,773 million for the third quarter of 2010, representing an increase of 20.0% over the corresponding period last year. Turnover for the first nine months rose by 11.7% year-on-year to HK$17,816 million. Attributable profit grew by 30.2% year-on-year to HK$526 million for the third quarter, and 18.6% year-on-year to HK$784 million for the nine-month period.

Compared with the rainy and cool weather in the first half of 2010, the weather conditions in the third quarter of 2010 were more favorable in most parts of China, boosting the sales volume of the beer market. The Group's beer sales volume for the first nine months of 2010 increased by about 10% year-on-year to 7,800,000 kiloliters. The solid growth was also driven by an increase in our production capacity and more effective and aggressive promotion on beer products. Sales growth was particularly robust in provinces like Jilin, Heilongjiang, Liaoning, Zhejiang and Anhui. In the first nine months of 2010, the sales volume of our national brand "雪花 Snow" rose by 15% to approximately 7,050,000 kiloliters, and accounted for over 90% of the total beer sales volume.

Turnover of the Group's beer division rose steadily due to its continued sales volume growth. The Group devoted more efforts to enhancing sales volume growth of premium beer and proactively optimized its product mix, which contributed to the increases in average selling prices and gross margins during the period under review. Despite the rising selling expenses and labor costs, operating profit of the division improved year-on-year.

The newly-built and -acquired breweries in Shanxi, Shanghai and Shandong commenced operation. They contributed an aggregate annual production capacity of approximately 870,000 kiloliters to the Group. As at the end of September 2010, the Group operated over 70 breweries in the Chinese Mainland with an annual production capacity of over 14 million kiloliters.

The Group’s breweries are facing increasing raw material costs amid an inflationary environment. However, leveraging its advantage in economies of scale, the Group will proactively enhance production efficiencies, upgrade products and step up new product development to solidify its profitability. The Group will also continue its efforts in promoting the “雪花 Snow” brand. By organizing marketing campaigns such as “The Great Expedition” (“勇闖天涯”), the Group will strive to further increase the market coverage and brand recognition, as well as to strengthen brand reputation and consumer loyalty. Moreover, the Group will keep seeking and evaluating investment opportunities prudently and pursue organic growth so as to realize its strategic objective of the division’s rapid development.

Food

The food division reported a turnover of HK$2,121 million for the third quarter of 2010, representing an increase of 8.4% year-on-year. Turnover for the first nine months was HK$5,997 million, up 9.8% from the same period last year. Attributable profit for the quarter which amounted to HK$87 million held steady from last year while that for the first nine months rose by 9.4% year-on-year to HK$327 million. Excluding the after tax profit from asset revaluation and reducing certain equity interests in strategic investments, the division’s attributable profit would have increased by 30.8% for the third quarter and 44.0% for the first nine months of the year.

During the period under review, profit contribution from the meat business in the Chinese Mainland further increased thanks to strong brand recognition of our quality meat products and a well-managed supply chain. To enhance the scale and profit of our meat business in the Chinese Mainland, we have accelerated the development of self-owned retail stores and launched a total of 90 “五豐鮮肉 Ng Fung Fresh Meat” counters and stores this year. In addition to growth in profitability, the division has raised the reputation of its branded meat products. The Group’s operation in Shanghai has been selected as a preferred fresh pork supplier for the Expo 2010 Shanghai China. During the period under review, we also successfully acquired a project in Nanning which has since helped speed up the establishment of our supply chain which encompasses livestock raising, slaughtering, meat processing, cold storage, trading and points of sales.

During the period under review, the Hong Kong livestock distribution operation delivered growth in sales volume, turnover and profit. The growth in gross margins came as a result of our continued efforts in fine-tuning the operational strategy, strengthening the coordination between sales and marketing, and enhancing cooperation with livestock suppliers in the Chinese Mainland. These efforts have helped ensure a steady supply of live pigs to Hong Kong at stable prices.

The assorted foodstuff operation achieved notable growth in operating performance by promoting the “五豐 Ng Fung” brand. The frozen food and ice-cream business, in particular, managed to boost both sales volume and profitability during the period under review. The business has also strengthened its presence in Zhejiang and expanded into neighbouring markets such as Jiangsu where we aim to raise our market share and brand profile. The pepper oil business in Sichuan which we acquired early this year achieved encouraging results for the period under review. The construction of a 20,000-ton capacity pepper oil factory was completed during the quarter under review and it has commenced operation.

The marine fishing and aquatic products processing operation, supported by the distribution network of the Group in the Chinese Mainland, has raised its efforts in developing the deep-sea aquatic product market, which in turn reinforced the “五豐 Ng Fung” brand of aquatic products in the market.

Looking forward, the Chinese Mainland remains a key growth market for the division. We will continue to move forward “Food Basket” strategy in our major regional cities as the Group endeavors to become a leading integrated quality food supplier with strengths in research and development, processing, storage, logistics, wholesaling, retailing, and international trade. The Group plans to develop and strengthen its mainland business through acquisitions and organic growth.

Beverage

The beverage division recorded a turnover of HK$754 million for the third quarter of 2010, representing an increase of 31.6% over the corresponding period last year. Turnover for the first nine months rose by 25.5% year-on-year to HK$1,650 million. Attributable profit was up 44.8% year-on-year to HK$84 million for the third quarter. The decline in attributable profit for the first nine months narrowed to 3.5% and it amounted to HK$137 million.

The beverage division, with its flagship “怡寶 C’estbon” purified water brand, achieved total sales volume of approximately 717,000 kiloliters for the third quarter of 2010, representing an increase of about 27% year-on-year. Total sales volume in the first nine months rose by about 22% to 1,585,000 kiloliters compared with the same period last year.

The Group stepped up the promotion of “怡寶 C'estbon” in view of the hot weather in the quarter under review. Hence, the purified water operation recorded significant growth in sales volume on a year-on-year basis. Moreover, the division has successfully built a distribution network for its fruit-flavored nutritional drink “零帕 0 PA”, and has increased sales and marketing activities to help create demand for the products at point of sales. The Group acquired a Jialinshan project to develop the mineral water business during the quarter under review. It not only enhanced our product mix, but also strengthened our distribution network in areas like Zhuhai. It also helped improve the sales and competitiveness of “怡寶 C'estbon” in Western Guangdong, Hong Kong and Macau. The division has recently been granted a subsidy by the Shenzhen Municipal Government via a special funding program for reputable brands “2009 年度深圳市品牌專項資金項目” in recognition of the widely acclaimed success of our beverage brands.

During the nine-month period under review, the Group successfully entered new markets such as

Jiangxi, Yunnan, Guizhou and Henan, gradually expanding our sales network and market coverage. Sales volume growth in Hunan remained vigorous thanks to our strong distribution and market segmentation strategy. With tailor-made strategies to enter the markets of Shenzhen, Dongguan and Sichuan, distributors were encouraged to become more proactive, driving higher sales and profit in the regions. Our strategic expansion in Jiangsu, Guangxi, Fujian and Tianjin progressed smoothly, laying a solid foundation for building a nationwide distribution network.

The Group rolled out "零帕 0 PA" in April 2010 in order to expand its revenue source and enhance profitability. Profit contribution from the operation, however, was lacklustre in the nine months under review due to increased initial advertising and promotional expenses for the product launch.

The growing level of health awareness among Chinese consumers is expected to be beneficial for the development of the division. As a result, the Group will continue to optimize the product mix for organic growth, and seek acquisition opportunities to open up new markets and further increase its market share.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2010, assets with a carrying value of HK$531 million (31 December 2009: HK$275 million) were pledged for notes payable.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2010.

CAUTION STATEMENT

The Board wishes to remind investors that the above financial data are based on the Company's internal records and management accounts. The above financial data for the third quarter and the nine months ended 30 September 2010 have not been reviewed or audited by the auditors. Shareholders of the Company and potential investors should exercise caution when dealing in shares of the Company.

By order of the Board
CHEN LANG
Chief Executive Officer and Executive Director

Hong Kong, 18 November 2010

As at the date of this announcement, the Executive Directors of the Company are Mr. Qiao Shibo (Chairman), Mr. Chen Lang (Chief Executive Officer) and Mr. Lai Ni Hium (Chief Financial Officer). The Non-executive Directors are Mr. Yan Biao, Mr. Du Wenmin, Mr. Shi Shanbo, Mr. Wei Bin and Dr. Zhang Haipeng. The Independent Non-executive Directors are Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.